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HOUSE BILL 2965

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State of Washington

60th Legislature

2008 Regular Session

By Representatives Ericks, Orcutt, Green, Hinkle, Eddy, Alexander, Morrell, Williams, Pettigrew, Warnick, Grant, Condotta, Armstrong, Chandler, Linville, McIntire, and Kessler

Read first time 01/18/08. Referred to Committee on Finance.

1 AN ACT Relating to developing a feasibility plan for authorizing  
2 state administration and collection of local business and occupation  
3 taxes; amending RCW 35.102.010; and adding a new section to chapter  
4 35.102 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 35.102.010 and 2003 c 79 s 1 are each amended to read  
7 as follows:

8 The legislature finds that businesses in Washington are concerned  
9 about the potential for multiple taxation that arises due to the  
10 various city business and occupation taxes and are concerned about the  
11 lack of uniformity among city jurisdictions. The current system has a  
12 negative impact on Washington's business climate. The legislature  
13 further finds that local business and occupation tax revenue provides  
14 a sizable portion of city revenue that is used for essential services.  
15 The legislature recognizes that local government services contribute to  
16 a healthy business climate.

17 The legislature intends to provide for a more uniform system of  
18 city business and occupation taxes that eliminates multiple taxation,  
19 while allowing for some continued local control and flexibility to

1 cities. Therefore, the legislature further finds that developing a  
2 plan that analyzes the feasibility of a uniform system for the  
3 collection and administration of local business and occupation taxes is  
4 necessary.

5 NEW SECTION. Sec. 2. A new section is added to chapter 35.102 RCW  
6 to read as follows:

7 (1) The department must review the feasibility of a uniform system  
8 for the collection and administration of local business and occupation  
9 taxes.

10 (2) In developing its plan, the department must include a  
11 feasibility analysis for implementing the administration of a uniform  
12 system, which must, at a minimum, include an analysis of the following:

13 (a) Requiring cities and towns to fully conform, to the extent  
14 possible, to the state business and occupation tax definitions. For  
15 example, state definitions for classifications and due dates;

16 (b) Providing the department with full authority to act on behalf  
17 of cities and towns for tax-related administrative and legal matters  
18 such as, but not limited to: Tax-related rulings, interpretations,  
19 appeals, and adjudications, but allowing cities and towns to retain  
20 authority to set their own tax rates, within existing legal limits;

21 (c) Requiring that provisions similar to chapter 82.32 RCW are  
22 applicable to local business and occupation taxes in order to allow the  
23 department to audit, adjust, collect, and file liens on behalf of  
24 cities and towns;

25 (d) Requiring local business and occupation tax information to be  
26 included within the confidentiality provisions of RCW 82.32.330 and  
27 included under the statute of limitations provisions under RCW  
28 82.32.050;

29 (e) Requiring the department to have final authority for  
30 administrative decisions of individual accounts, such as determining  
31 taxpayer reporting frequency for the local business and occupation tax  
32 to ensure that the local assigned frequency matches the state assigned  
33 frequency for filing state business and occupation taxes;

34 (f) Requiring that all local business and occupation taxes appeals  
35 must be administered by the department, the board of tax appeals, or  
36 the courts, as currently provided for state taxes under chapter 82.32  
37 RCW;

1 (g) Requiring that the department will determine the procedures and  
2 timing for filing local business and occupation taxes;

3 (h) Providing the department with rule-making authority for the  
4 purpose of state administration and collection of local business and  
5 occupation taxes;

6 (i) Requiring taxpayers to apportion their gross receipts among the  
7 local jurisdictions imposing local business and occupation taxes upon  
8 the taxpayer;

9 (j) Requiring a city or town to begin collection or administration  
10 of the tax, or both, on the January 1st following the first date the  
11 city or town initially enacted the local business and occupation tax,  
12 if the local enactment is completed between the months of January and  
13 June. If the enactment of the initial tax occurs between the months of  
14 July and December, the tax must become effective for collection and  
15 administration, or both, on the second January 1st following the  
16 enactment;

17 (k) Requiring the timing and distribution of local tax revenues  
18 from business and occupation taxes to be substantially similar to those  
19 procedures currently in effect for the administration of local sales  
20 taxes;

21 (l) Requiring taxpayers with three or more cities or towns to which  
22 they report to file electronic tax returns and to remit their tax  
23 payments electronically; and

24 (m) Prohibiting cities and towns from applying a minimum tax; local  
25 governments that impose a business and occupation tax must maintain a  
26 "true" gross receipts tax, as determined by the department.

27 (3) In developing its plan, the department must include an analysis  
28 on the development, implementation, and feasibility of the tax  
29 structure necessary to implement a uniform system, which must, at a  
30 minimum, include the following:

31 (a) A method for standardizing local tax reporting thresholds;

32 (b) A mitigation plan to maintain revenue neutrality;

33 (c) A review of whether state-applied penalties and interest for  
34 the administration and collection of unpaid or delinquent taxes should  
35 be deposited in the state general fund;

36 (d) A review, in conjunction with the cities and towns, of  
37 conforming local business and occupation tax classifications to state  
38 classifications; and

1           (e) A determination of a deadline for compliance with a state-  
2 administered system.  
3           (4) "Department" means the department of revenue for the purposes  
4 of this section.  
5           (5) Staff support must be provided by the department.  
6           (6) The department must provide a final report, with specific  
7 recommendations on the best practices and feasibility to effectively  
8 implement a uniform system of state administration and collection of  
9 local business and occupation taxes, to the house of representatives  
10 finance committee and the senate ways and means committee by December  
11 1, 2008.

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